

**ATTACHMENT O**  
**DESCRIPTION OF RTO WEST**  
**MARKET MONITORING**

**A. Organization**

- 1) Market Monitoring Unit (“MMU”) is part of the RTO organization.
  - a) Board appoints, supervises, evaluates, disciplines the MMU Executive.
  - b) MMU Executive hires, supervises, evaluates, disciplines the MMU staff.
- 2) MMU coordinates with the RTO CEO, but in some instances, reports directly to the Board (see D below).
- 3) Institutional safeguards will be designed to ensure an appropriate level of MMU independence, especially in instances where the RTO is a market participant and procedural safeguards are designed to protect all participants.

**B. Markets to be Monitored**

- 1) MMU will monitor RTO Markets, including Ancillary Services, Congestion Management and Firm Transmission Rights.
- 2) MMU will assess and report annually on the state of the Western markets highlighting the impacts of these non-RTO markets on RTO operations and vice versa (not the same level of analysis as with RTO Markets); further, the RTO will be given the discretion to expand the scope and level of its monitoring of non-RTO markets as it finds appropriate.

**C. Scope of Activity of MMU**

MMU<sup>1</sup> will:

- 1) collect information as part of the regular course of RTO business;
- 2) assemble such information (in a manner to be developed as part of the “MMU process”);
- 3) disseminate (as provided in the yet-to-be developed “MMU process”) non-confidential information; provided that sensitive bid data shall be disseminated in compliance with current FERC and RTO standards and policies (6 month lag time, masked identities);
- 4) evaluate the information;
- 5) make recommendations to correct design flaws and improve efficiencies;
- 6) if MMU detects market performance that is inconsistent with competitive market, investigate further to determine the cause of the inconsistent performance;
- 7) consider operational behavior in response to a submitted complaint;
- 8) prepare reports (including recommendations) for Board;
  - a) the Board will make decisions whether to report to the appropriate regulatory or enforcement entities that MMU has detected and investigated the cause of market performance that is inconsistent with competitive markets; and
  - b) the regulatory or enforcement entity will determine how to deal with the issues.

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<sup>1</sup> Tariff compliance issues will be addressed as set out in the RTO Tariff (or by a RTO Tariff Compliance Office).

#### **D. Scope of Authority**

- 1) With regard to its general monitoring responsibilities, including dealing with design flaws and efficiency improvements:
  - a) The MMU coordinates with appropriate RTO staff members and attempts to address matters at staff level
  - b) If the MMU believes that staff is not cooperating, the MMU has recourse up the chain of command in the following order:
    - (i) Chief Operating Officer,
    - (ii) Chief Executive Officer, and
    - (iii) the Board
  - c) If issues are raised to the Board, the Board can bring whatever resources to bear that it finds appropriate, including outside consultants
- 2) If the MMU detects market performance that is inconsistent with competitive markets it will investigate to determine the cause. The MMU will coordinate with appropriate RTO staff members and will bring the issue to the CEO's attention but, as detailed below, the Board must ultimately decide whether to report the market performance to the appropriate regulatory agency.
  - a) When the MMU and the CEO (or designee) agree to recommend reporting, the CEO brings recommendation to Board
  - b) When the MMU recommends reporting but the CEO (or designee) disagrees, the MMU can bring directly to Board
  - c) When the CEO (or designee) recommends reporting but the MMU disagrees, the CEO (or designee) can bring directly to Board
  - d) When the MMU is put on notice of market performance issues, but the MMU and the CEO (or designee) agree that it should not be reported to a regulatory agency, the CEO makes a report to the Board

#### **E. Specifics of Market Monitoring Mechanism**

The process must:

- 1) Achieve work group goals;
- 2) Afford procedural protections to all participants;
- 3) When data alerts the MMU of market performance inconsistent with a competitive market, as part of the follow-up investigation, if individual conduct is evaluated, the process should, at a minimum, specify when and how a party should be notified, address confidentiality issues, and set a standard for how the RTO decides when to report to regulatory agency;
- 4) Accommodate differing jurisdictional requirements for market participants and transmission owners (in particular with respect to Canadian participants);
- 5) Provide more specifics regarding the information that will be collected and maintained by the MMU (at this time it is assumed that the needed information will already be provided to the RTO in the ordinary course of business);
- 6) Provide more specifics regarding the annual report regarding non-RTO markets;

- 7) Provide specifics regarding maintenance and dissemination of information (provided, sensitive bid data will only be released in conformance with current FERC standards/policy);
- 8) Provide guidance on how the MMU professional staff will objectively evaluate market performance to identify performance that is inconsistent with a competitive market and investigate the causes of such performance (industry standards should be described or identified that could be considered by the MMU staff to aid their professional judgment);
- 9) Provide that the RTO does not have superior access to work product of the MMU to avoid conflict of interest issues;
- 10) Provide the Board the ability (after it has complied with procedural safeguards) to act quickly (and with FERC approval) to change the RTO's rules and market design as appropriate after consideration of the MMU/staff recommendations regarding design flaws or market inefficiencies, especially in the first few years of the RTO's existence;
- 11) Establish communication protocols among MMU and other units of the RTO staff;
- 12) Not distinguish between the RTO and other market participants for purposes of the process (the RTO gets the same treatment as others);
- 13) Provide for an annual evaluation of the RTO's design's impact on the market; and
- 14) Be timely and cost effective.

#### **F. Staff**

The MMU will have the following areas of expertise represented on its staff: economics, business/commercial (e.g., risk management, commodities, electric power system operation and markets), finance, engineering, statistics, data management, and legal. These will not all be full-time positions. In addition, the MMU will have the ability to retain outside consultants.